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THE TARIFF IN RELATION TO FOREIGN TRADE ¹

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I **THOUGHT** to say that in speaking to you today on the subject of the tariff in relation to foreign trade I am simply appearing at short notice to take the place of Mr. William Hamlin Childs. I came prepared to talk briefly on the subject of a tariff commission as an important step toward the greater national efficiency which our rapidly developing international interests so urgently demand. The subject of the tariff is one which has been discussed in this country for so many years that probably no one fails to realize its far-reaching importance and significance. At the present moment, however, as we are coming more and more closely in contact with the great markets of the world, the proper treatment of the tariff has assumed an importance in many ways greater than at any time in our history.

The tariff, in its simplest terms, takes into consideration the levying of duties on imports; but people nowadays are coming generally to realize that there is more to it than that. For example, foreign commercial treaties come into consideration, and it is absolutely necessary, in order to have a tariff system which shall be beneficial to the country, that we have commercial treaties drawn with a view to their meeting the needs of our tariff system.

In the past this has been met by the establishment of what are called maximum and minimum tariffs. Under this particular form of tariff, the President is permitted to adjust rates of duty between certain high and low limits which are fixed by Congress. This privilege was given to Mr. Taft in the Payne-Aldrich Law, and it was also provided in that law that he could appoint experts to help him in determining what the rates of duty should be under the maximum and minimum clause. Taking advantage of that provision, he appointed what was later known as the tariff board. That board was not

¹ Address at the meeting of the Academy of Political Science, November 12, 1915.

the first we had had in the country. There was one under President Arthur, and there were several minor instances of attempts to get this matter on a scientific basis. The Taft board, however, was the first one which intelligently studied the schedules one by one in an endeavor to put them on a scientific basis. It did much good work. But before its work was nearly completed it was quietly abolished. As you know, it ceased to exist when the chairman of the committee on appropriations struck out the appropriation providing for salaries and expenses. Since that time we have had none.

The various speakers today have brought out clearly that we are in the midst of a new era in international trade. There never has been a time, therefore, when it was more important that our tariff should be on a sound and scientific basis. We are the only large commercial nation which has no tariff board, or some other organization which does the work of a tariff board.

It may be said at once that the gentlemen who are supporting the present movement for a tariff commission, about which I shall speak in a moment, do not believe that the moment the tariff commission is appointed all our tariff troubles will cease. We can be sure of this because of the example of the foreign tariff commissions. We know, for example, that the German tariff commission took nearly thirteen years to go over their schedules once and put the matter on a fundamentally scientific basis. It took the French commission nearly twenty years to get the thing in a working business form. Of course, a problem of this sort can never be absolutely concluded. The tariff must change with changing commercial conditions. There must be a provision for elasticity. But if it can be established that the tariff commission is the proper thing, the sooner we get it established, the sooner will it be in a position to give the country the advice and information it needs in this very vital matter.

There is another important point to be made in approaching the subject of the tariff commission: that is the fact that the subject appears at first glance to be full of political dynamite. There is not a subject in the United States about which

so much has been said and written. Since 1789 there probably has been no single month during which nothing about the tariff has appeared in the press of the United States. It would seem by this time that we ought to know something about it and ought to be able to work out a satisfactory tariff act. We have not been able to do so, however. From an entirely non-partisan standpoint, a proof that the present tariff act, which men who have studied the situation believe to have been very conscientiously drafted, is not adequate, is that the men who framed it are now proposing many changes in it. This has always been the case, and as long as the present methods are employed, always will be the case.

But why have we not all agreed long ago on a non-partisan tariff commission as the true solution of the question? In my opinion, it is because all matters connected with the tariff have been supposed to be purely political. This is really not true. The gentlemen who favor a tariff commission as a solution for tariff difficulties do not believe that this age-long conflict of opinion between protectionists, free-traders and tariff-for-revenue men is going to be stopped as soon as we get a tariff commission. But it should be constantly borne in mind that the question of protection, for example, is a purely political question. The people who believe in protection cannot agree with the people who believe in free trade, and it is ridiculous to assume or suppose that merely because we get a government commission of experts those people are going to surrender their life-long views with regard to protection and free trade. For a long time to come the public will desire to register its views as to whether or not it shall have protection, or as to the amount of protection, and to elect a Congress representing its views in that regard. But, when that is done, there is still a lot more to be done. Let us suppose that we have had a national election and the people of the country have registered their determination to have a high tariff. Who is going to carry that behest of the people into effect? There is absolutely no organization in this country now capable of doing that important work.

Every article which comes into this country is subject to a

rate of duty with the exception, of course, of the articles on the free list. The taxes levied on these goods, as you know, have an enormous effect on the industries involved. A high rate of duty has one effect, and a low rate of duty has another, and it is absolutely necessary for a man who is running an industry to know whether he is going to have a high or a low rate of duty. The problem is enormously complicated. There are thousands of articles to be considered; some of them involve considerations so technical that only men with a life-long experience in the subject can understand them. The fourteen schedules into which the present tariff act is divided all involve the greatest technicality.

Let us take the first schedule of all, Schedule A, covering chemicals, paints and oils. There are items in that which are absolutely unpronounceable. Nobody but the most expert chemist could attempt to understand the elements in Schedule A. And yet, with all the millions of dollars involved in this matter, when the present tariff act was drafted a congressman from New York was given charge of that schedule. He admitted that he did not know anything about chemistry. He did obtain the services of one of our customs experts, a trained chemist. But it is obvious that no one man, even with a technical assistant, could in a few weeks form correct conclusions as to the proper rates of duty on all the chemical items imported into the United States. These men were conscientious. They undertook an impossible task and did their best with it. As I said before, the whole tariff act was a conscientiously-drafted one; but we need in this country today scientific and constructive work, not conscientious failure. Successful accomplishment requires most careful training and long study.

As a result of a feeling of this kind on the part of a great many men of influence in the United States, a movement has recently been started under the auspices of the Tariff Commission League to take tariff-making out of politics. I should like to take one minute to give a brief history of this organization, because I think it is a remarkable one and characteristic of the new spirit which is coming to the front in this country. In other words, this Tariff Commission League is

not merely a paper organization, but is one which is going to produce the desired results.

The Tariff Commission League is based on the theory that the people can get anything they really want. Congress for many years held out against civil service reform, against reform in the ballot system, against the direct election of senators, and it would probably be impossible to conceive of movements which were more bitterly opposed at their inception than these. And yet they were passed, because the public demanded them. Now, in a matter of this kind which is somewhat technical, it is necessary to do rather more than in the case of a direct election of senators, which is in itself a rather spectacular matter, one which has immediate appeal to almost everyone. Consequently, it was believed that in bringing about this efficiency measure, efficiency methods were necessary.

It so happened that a few years ago there was formed in this country an organization known as the Soil Fertility League. That organization had for its purpose the appropriation of large amounts of money to help the farmers to study their problems, to increase the fertility of the soil and to put agricultural matters on a scientific basis similar to the situation in other countries. Mr. H. H. Gross, of Chicago, was President of the Soil Fertility League, and after two years of very clever and persistent work their bill was passed. The Secretary of Agriculture said about it in his last report that he considered it the most important economic measure of the generation.

When the bill was passed the Soil Fertility League had nothing to do, so it was suggested that the successful organization should take up a work which was considered next most important to the country, namely, the putting of tariff-making on a sound and scientific basis and relieving the country from the periodic upsets which usually accompany changes in tariff schedules. That was done. Directors, members of the advisory council representing all phases of our economic life, were obtained. The work is not at all of the spread-eagle variety, but takes as its fundamental principle the necessity of

convincing the people who have the shaping of public opinion of the need of this great work. It works from the ground up. For instance, the field men go to the editors of all the papers in the country. They sit down and talk with them. If the editor has any objections, they try to convince him of the soundness of the present plan. We have not drawn a circle around the manufacturing element in the community, for instance, and gone to Congress with the statement that we were representing a nation-wide feeling. We have taken into consideration and represented on our advisory board agriculture, labor, manufacturing, finance, trade, and the scientific and academic element throughout the country. The work, I may say, has progressed to the point where fully 90 per cent of the great papers have stated that they would support it, and it is hoped that the next Congress will pass an adequate measure.

In conclusion, I may say briefly what kind of measure we propose. The main point has to do with the quality of the men. We can pass all the measures we please and if we fail to get the right men to fill the places we might as well have saved our time. Commissions depend on the quality of the men on them; so the proposed bill calls for salaries of \$12,000, which equal those now given members of the Federal Reserve Board. We hope in that way to induce equally high-class men to accept positions on the Federal Tariff Commission. That is the real essence of the matter, to get good men down in Washington who will give their whole time to this one important element in our economic life. We do not want to do anything which will make Congress feel that we are imposing on their constitutional prerogatives of initiating tariff legislation, but we do feel that if those men are first-class men, they will very soon make their influence felt in Washington. When the President wants to know anything about the tariff, he will consult those men who have given the matter thorough study; the Ways and Means Committee will consult them; the Finance Committee in the Senate will consult them; and in the long run we shall have made a distinct advance towards the seemingly impossible ideal of taking the tariff out of politics. Moreover in doing so we shall have made a notable contribution to National efficiency.